

# **DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL**

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## **SUBJECT**

Real Estate Lease Agreements

## **PURPOSE**

To provide instructions for the preparation and use of forms DA-46, Real Estate Lease Agreement, and DA-47, Real Estate Lease Cover Sheet.

## **AUTHORITATIVE REFERENCE**

K.S.A. 75-3728, 75-3730, 75-3739(h), 75-3743, 75-3765, 75-3765a, 75-3766

## **GENERAL INFORMATION**

### **Introduction**

State agencies are required to obtain the approval of the Secretary of Administration prior to entering into any lease of real property (land, building, or space in buildings). *Agencies should contact the Department of Administration, Division of Facilities Management, for specific approval requirements and instructions prior to entering into any lease of real property or amending an existing lease.*

### **Form DA-46, Real Estate Lease Agreement**

Form DA-46, Real Estate Lease Agreement, should be completed by the agency *after receiving approval from the Division of Facilities Management to enter into a lease of real property*. Form DA-46 is a standard real estate lease agreement form that provides mandatory terms and conditions required in any lease of real property by, or on behalf, of the State of Kansas. If any “Special Provisions” are incorporated into the lease agreement, a copy of the “Special Provisions” must be attached to the DA-46 and instructions for its completion may be obtained from the Division of Facilities Management.

### **When Form DA-46 is Required**

Form DA-46 is required for any lease of real property except as follows: (1) space assigned by the Secretary of Administration pursuant to K.S.A. 75-3765; (2) space assigned by the Legislative Coordinating Council pursuant to K.S.A. 75-3765a (3) real estate lease less than five thousand dollars (\$5,000); and 4) as otherwise provided by the Secretary of Administration. When form DA-46 is not required, the agency must send

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the vendor's invoice and agency purchase order (APO) to the Division of Facilities Management for approval. The invoice and APO will be forwarded to the Division of Accounts and Reports along with approval from the Director of the Division of Facilities Management.

Note: An agency may elect to encumber the lease exceptions noted above by using forms DA-46 and DA-47 and following the procedures contained in this filing.

## **Amendments to Existing Real Estate Lease Agreements**

Agencies should contact the Division of Facilities Management for specific approval requirements and instructions to amend an existing real estate lease agreement (previously submitted on form DA-46). The Division of Facilities Management may require the agency to either complete a new DA-46 to replace or amend the existing agreement. Agencies also need to prepare an addendum to the existing agreement for capital improvement greater than \$5,000.

If a new DA-46 is completed to replace the existing agreement, the agency should also complete form DA-107, Encumbrance Authorization or Adjustment, to cancel any remaining encumbrance balance of existing agreement. Form DA-47 should be completed to establish a new real estate encumbrance. Accounts and Reports assigns an encumbrance number to the new agreement. When submitting the DA-46, DA-47 and DA-107 to Facilities Management, it is desirable to group all documents together. After Facilities Management approves the new agreement, they will forward the documents to Accounts and Reports.

If an addendum is prepared to amend the existing agreement, the addendum should include the agency contract number and encumbrance number of the existing agreement on the DA-47. Form DA-47 should be completed for the amount of the increase or decrease in the lease obligation to adjust the existing encumbrance. Form DA-47 must be completed as a cover sheet for the addendum even if the addendum does not change the lease obligation amount (enter "0.00" in the AMOUNT column and the TOTAL line).

The new agreement, addendum, and/or necessary forms should be submitted to Division of Facilities Management for normal processing.

## **Form DA-47, Real Estate Lease Cover Sheet**

Form DA-47, Real Estate Lease Cover Sheet, is used throughout the year to establish new leases and to make amendments to existing agreements. DA-47 is also completed by the agency at the close of the current fiscal year to encumber new fiscal year funds to renew a *previously approved* real estate lease agreement where the rent, conditions, and terms of the agreement remain unchanged for the new fiscal year. A new form DA-46 is not

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required to re-encumber a previously approved lease. Accounts and Reports sends out a statewide letter prior to the close of each fiscal year which provides additional information for processing form DA-47.

## **Other Agency Responsibilities**

Agencies should review encumbrances balances on a regular basis. Encumbrances balances should be canceled on the liquidation (final payment) or cancellation of the lease. Agencies should use payment code "F" in the M (modifier) column on vouchers submitted to make the final payment on a lease or a "P" for payments that are not the final payments. The use of the "F" code will cancel any remaining encumbrance balance. The "F" code must be used on the final payment being made against each line (document number/suffix) of the original encumbrance. Lease encumbrance balance should be canceled by use of form DA-107, Encumbrance Authorization or Adjustment.

## **PROCEDURES**

- A. New Leases: Form DA-46, Real Estate Lease Agreement and DA-47, Real Estate Lease Cover Sheet including Amendments

The procedures provided below generally apply to new leases being processed. Amendments follow the same routing as new leases. However, not all supporting documents may need to be attached for amendments. Please see the General Information section for additional procedural information in processing amendments to existing real estate lease agreements. *Lease as used in the following procedures refers to the DA-46 and all Special Provisions referenced in and incorporated into the lease.*

<b>Responsibility</b>	<b>Action Step</b>
State Agency	<ol style="list-style-type: none"><li>1. Contact the Department of Administration, Division of Facilities Management, for specific approval requirements and instructions prior to entering into a real estate lease agreement.</li><li>2. After obtaining approval from the Division of Facilities Management, complete Form DA-46 and obtain signatures of the Agency Head and Lessor. Complete Form DA-47, marking "New Lease" and obtain the signature of the Authorized Agency Officer. Forward original DA-46, along with a floor plan for the leased space and the DA-47, to the Division of Facilities Management. (Agencies may wish to retain a</li></ol>

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photocopy of the DA-46 and DA-47 as a file copy). Form DA-47 should be completed as follows:

**Agency Number** – Three digit agency number as assigned in the Central Chart of Accounts.

**Division Number** - Two digit division number for agency, if applicable.

**Current Document Number** – Agency enters A, B, or C prefix for a new encumbrance or and H to adjust an existing encumbrance.

**Agency Contract Number** – Space provided for the agency to assign an unique number to identify the obligation. (Optional)

**Document Date** – The date, in MMDDYY format, entered on the lease. This is the date the document was prepared.

**Effective Date** – (Leave blank)

**No/Sfx** – Nine digit vendor number of the lessor followed by a two digit suffix. The vendor number and suffix must exist in the STARS vendor table.

**Name** – The vendor name corresponding to the vendor number.

**Street, City, State and Zip** – The vendor's address corresponding to the vendor number.

**Contracting Agency Name and Address** – Space provided to enter contracting agency name and address.

**Sfx** – Two digit suffix used to identify each funding line.

**T/C** – Appropriate three digit transaction code to either establish or adjust an encumbrance.

**Ref. Doc.** – Reference document is left blank when a new lease is created. For amending existing leases, the reference document is the original encumbrance being adjusted.

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**Sfx.** – Two digit suffix for reference document number.

**M** – Modifier designating partial (P) or full (F) payment against encumbrance. Generally, this is blank unless a lease is being cancelled.

**Fund** – Four digit fund code assigned in the Chart of Accounts.

**BFY** – Two digit fiscal year that corresponds to encumbrance. This is the budget fiscal year of the fund encumbered.

**Index** – Four digit index code under which the encumbrance was or will be established.

**PCA** – Five digit program code as assigned to agency in the Chart of Accounts.

**Sub-Obj** – Four digit code used to identify the expenditure as defined in PPM filing 7,002, Uniform Expenditure Classification Object Codes.

**Det** – Expenditure sub-object detail is not currently used and should be left blank.

**R** – Reverse code for transaction code. This is normally blank when a new encumbrance is established. It is used to decrease an existing encumbrance.

**Amount** – Total amount being encumbered for each funding line on new leases. For lease amendments, this is the amount of increase or decrease for the current fiscal year.

**Agency Use** – Space provided for agency use.

**Document Total** – Total amount being encumbered as obtained by totaling the amount column.

**Lease Type** – Enter “x” in the appropriate box or boxes as follows:

1. New Lease-Lease not previously encumbered.

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2. Amended Lease Terms – Lease previously encumbered for which authorized changes to the lease terms are being made. This includes changes to payment schedules, time period covered by lease, etc.
3. Re-encumber Previously Approved Lease – This normally applies to lease agreements extending over multiple fiscal years. At the end of the current fiscal year funds must be encumbered for the succeeding fiscal year to continue the lease payments.

**Prior Doc. No.** – The previous lease encumbrance number must be provided when the lease type is either “Amended Lease Terms” or “Re-encumbered Previously Approved Lease.”

**Lease Description** – A brief description of the lease.

**Total Lease Commitment Amount** – The total amount committed over the life of the lease. Amendments can change this amount.

**Lease Beginning Date** – The date the lease becomes effective.

**Lease Ending Date** – The ending date of the lease.

**Payment Frequency** – Two lines are provided to indicate the number of payments, amount of payments, and due dates. In addition, the blank space immediately following the payment lines may be used to provide additional payment information.

**Director of Facilities Management Signature** – Signature and date signed by the Director of Facilities Management indicating approval of the lease.

**Director of Accounts and Reports Signature** – Signature and date signed by the Director of Accounts and Reports indicating approval of the lease and attesting to the availability of funds.

**Attorney General or Department of Administration Attorney Signature** – Signature and date signed by the Attorney General or Department of Administration’s attorney indicating approval of the lease when required.

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**Secretary of Administration Signature** – Signature and date signed by the Secretary of Administration indicating review and approval of the lease when required.

**Agency Authorized Signature** – Signature and date signed by the agency head or designee indicating review and approval of the lease. This signature may be an actual signature or a facsimile signature.

Division of  
Facilities  
Management

3. Review the DA-46 for propriety and compliance with all Division of Facilities Management requirements, and complete the lease review sheet. When the approval signature of the Secretary of Administration or a Department of Administration staff attorney is required, forward the DA-46 package to the appropriate party for signature. After signature the DA-46 package is returned to Facilities Management. Certain leases may also require the approval of the Joint Committee on Building Construction. After the necessary approvals are obtained, forward the DA-46 package to the Division of Accounts and Reports.

Accounts and  
Reports

4. Review the DA-46 & DA-47 to determine that all coding, payment information, and other information, as required, is appropriate and mathematically correct. Contact agency to resolve discrepancies or obtain required information.
5. Assign a unique encumbrance number to the DA-47. The DA-47 is recorded in STARS to establish an encumbrance for the lease. The signature of the Director of Accounts and Reports is affixed to the DA-46 package after encumbering.
6. Make copies of the DA-46 as needed for distribution. Retain the Accounts and Reports copies of the DA-46 and DA-47. Forward the Facilities Management copies of the DA-46 and DA-47 to the Division of Facilities Management. Forward the Agency and Lessor copies of the DA-46 and DA-47 to the state agency.

State Agency

7. Retain the Agency copies of the DA-46 and DA-47. Forward the Lessor copies of the DA-46 and DA-47 to the lessor.

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- B. Re-encumber Previously Approved Lease: Form DA-47, Real Estate Lease Cover Sheet

Responsibility	Action Step
State Agency	<ol style="list-style-type: none"><li>1. Complete form DA-47, marking "Re-encumber Previously Approved Lease" and enter the appropriate prior document number to renew a <i>previously approved</i> real estate lease agreement where the rent, conditions, and terms of the agreement remain the same. A new form DA-46 is not required.</li><li>2. Obtain the signature of the authorized agency officer on the DA-47. Forward four copies to the Division of Accounts and Reports, Audit Services Team.</li></ol>
Accounts and Reports	<ol style="list-style-type: none"><li>4. Review the DA-47 to determine that all coding, payment information, and other information as required on the DA-46 is appropriate, mathematically correct, and consistent with the current lease agreement. Contact the agency to resolve discrepancies or obtain required information. Assign encumbrance numbers as necessary.</li><li>5. Record the DA-47 in STARS to establish an encumbrance for the lease renewal. Stamp across remaining approvals, "Signature of Attorney and Directors not required. Re-encumbering previously approved contract." Retain the Division of Accounts and Reports copy. Forward the Facilities Management copy to the Division of Facilities Management. Forwards the Lessor and Agency copies to the state agency.</li></ol>
State Agency	<ol style="list-style-type: none"><li>6. Retain the Agency Copy of DA-47 and forward Lessor Copy of DA-47 to lessor.</li></ol>

## CONTACT SOURCES

1. Requests to either: (1) enter into a lease of real property; or (2) obtain assistance in processing a new or amended form DA-46, Real Estate Lease Agreement; should be directed to:

Department of Administration  
Division of Facilities Management



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2. Requests for assistance in processing either: (1) form DA-47, Real Estate Lease Cover Sheet; or (2) payment voucher for lease payments; should be directed to:

Division of Accounts and Reports  
Central Accounting Services Section  
Audit Services Team

3. A supply of form DA-46, Real Estate Lease Agreement, can be obtained from:

Department of Administration  
Division of Facilities Management

4. A supply of form DA-47, Real Estate Lease Cover Sheet, can be obtained from:

Department of Administration  
Division of Printing